

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGR-10 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 CIEP-02 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 TAR-01 /060 W

----- 074188

R 171744Z DEC 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 180

INFO ALL EC CAPITALS 1454

UNCLAS SECTION 1 OF 2 EC BRUSSELS 11315/1

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC, ETRD

SUBJECT: PROPOSED EC PRICES AND OTHER MEASURES FOR 1976/77 (I)

PASS AGRICULTURE

REF: (A) EC BRUSSELS 11110 (B) EC A-440

1. SUMMARY: THE COMMISSION HAS PROPOSED AN AVERAGE 7.5 PERCENT INCREASE (THE ECUAL INCREASES IN THE ORIGINAL SIX MEMBER STATES WOULD BE LESS THEN 7 PERCENT) IN EC FARM SUPPORT PRICES FOR THE 1976/77 MARKETING YEAR.. THIS COMMISSION THE BROAD OUTLINES OF WHICH WERE REPORTED IN REF A. ALSO PROPOSED ARE CHANGES IN MEMBER STATE "GREEN RATES " WHICH WILL REDUCE THE IMPORTANCE OF MONETARY COMPENSATORY AMOUNTS (MCA'S ) IN EC TRADE AND A NUMBER OF IMPORTANT MODIFICATIONS IN SOME CAP COMMODITY POLICIES THIS TELEGRAM CONTAINS A DETAILED LIST OF THE PROPOSED PRICES IT ALSO DISCUSSES THE BASIS FOR THE GENERAL LEVEL OF PRICE INCREASE (AS EXPLAINED BY THE COMMISSION) AND THE CHANGES IN HE GREEN RATES. PROPOSED POLICY CHANGES IN THE VARIOUS COMMODITY SECTOR ARE BEING REPORTED BY SEPTELS. AND SUMMARY.

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2. 1976/77 PRICE PROPOSALS: THE COMMISSION HAS PROPOSED AN

OVERALL INCREASE IN THE LEVEL OF EC FARM PRICES OF ABOUT 7.5 PERCENT. THE DOCUMENT SUBMITTED TO THE COUNCIL GOES INTO CONSIDERABLE DETAIL RE THE COMMISSION' DELIBERATIONS ON THIS OVERALL LEVEL IN THE FIRST PLACE,THE COMMISSION MADE USE OF THE SO-CALLED "OBJECTIVE METHOD".

THAT IS, IT ESTIMATED THE PRICE INCREASES NECESSARY TO ASSURE A RATE OF RETURN TO LABOR EMPLOYED ON " MODERN" AGRICULTURAL UNITS COMPARABLE TO THE RETURN TO NON- AGRICULTURAL LABOR,TAKING INTO ACCOUNT AND ADEQUATE RETURN ON CAPITAL AND CHANGES IN PRODUCTION COSTS AS WELL AS IN FARM PRODUCTIVITY (A " TECHNICAL PROGRESS" COEFFICIENT OF 1.5 PERCENT A YEAR WAS USED). TO PROPERLY TAKE ACCOUNT OF DIVERGENT ECONOMIC AND MONETARY TRENDS WITHIN THE COMMUNITY, THESE ESTIMATED PRICE INCREASE WERE MADE BY COUNTRY (OR, TO USE THE COMMISSION'S PHRASEOLOGY, BH "MONETARY ZONE") AND ARE SHOWN IN COLUMN I BELOW.

COLUMN I    COLUMN II  
(PERCENT)

GERMANY	PLUS 1.4	PLUS 3.6
FRANCE	PLUS 9.4	PLUS 6.2
ITALY	MINUS 11.0	PLUS 5.9
NETHERLANDS	PLUS 9.7	PLUS 5.4
BELGIUM	PLUS 8.3	PLUS 5.7
LUXEMBOURG	PLUS 5.6	PLUS 5.3
DENMARK	PLUS 13.0	PLUS 7.8
U.K.	PLUS 7.5	PLUS 7.8
IRELAND	PLUS 4.8	PLUS 7.6

THUS, THERE IS A GREAT DEAL OF VARIATION BY COUNTRY AS TO THE MAGNITUDE OF PRICE INCREASE " REQUIRED" BY WEIGHTING THE "REQUIRED" PRICE INCREASES OF THE MEMBER STATE RESULTS,THE COMMISSION CALCULATES A " REQUIRED" OVERALL INCREASE OF 4.6 PERCENT FOR THE COMMUNITY AS WHOLE. EXCLUDING ITALY (WHICH HAS ENJOYED LARGE FARM PRICE INCREASES IN RECENT YEARS AS A RESULT OF THE DEVALUATION OF THE GREEN LIRA),THIS FIGURE RISES TO 9.1 PERCENT. HOWEVER, TAKING INTO ACCOUNT OTHER FACTORS SUCH AS THE OVERALL ECONOMIC SITUATION AND THE SITUATION OF SPECIFIC COMMODITIES,THE COMMISSION ARRIVES AT ITS FINAL 7.5 PERCENT.

3. MONETARY COMPENSATORY AMOUNTS (MCA'S): THE COMMISSION HAS ALSO PROPOSED SEVERAL CHANGES IN THE GREEN OR REPRESENTATIVE RATES USED BY  
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THE MEMBER STATES TO CONVERT EC PRICES, LEVIES,ETC. FROM UNITS OF ACCOUNT TO NATIONAL CURRENCIES. THESE CHANGES WOULD HAVE THE EFFECT OF REDUCING THE MCA'S ON GERMAN FARM TRADE AND ELIMINATING THOSE ON TRADE WITH THE BENELUX COUNTRIES. THUS, THEY MOVE THE EC BACK SOMEWHAT CLOSER TO A UNIFIED MARKET MCA'S ARE APPLIED AS IMPORT LEVIES AND EXPORT SUBSIDIES IN THESE COUNTRIES (WHOSE CURRENCIES HAVE APPRECIATED). FOR FRANCE AND ITALY, GREEN RATE REALUATIONS OF 1.422 AND 1.046 PERCENT ARE PROPOSED.

ALTHOUGH NEITHER OF THESE COUNTRIES CURRENTLY APPLIES MCA'S, THERE EXISTS, IN THE CASE OF FRANCE, A DISCREPANCY BETWEEN THE GREEN RATE AND THE CENTRAL RATE AND, IN THE CASE OF ITALY, A DISCREPANCY BETWEEN THE GREEN LIRA AND THE MARKET RATE. THE CHANGES PROPOSED BY THE COMMISSION WOULD ELIMINATE THESE DISCREPANCIES.

4. THE PROPOSED CHANGES IN MCA'S WOULD LESSEN SOMEWHAT THE PRICE INCREASES PROPOSED BY THE COMMISSION; COLUMN II (ABOVE) SHOWS THE LEVEL OF INCREASES FOR EACH MEMBER STATE WHICH WOULD RESULT FROM THE COMMISSION'S PROPOSALS TAKING INTO ACCOUNT THE PROPOSED CHANGES IN THE GREEN RATES.

5. MCA'S WILL REMAIN ONLY ON THE TRADE OF THE UK, IRELAND AND GERMANY.

NO CHANGES ARE PROPOSED IN GREEN RATE FOR THE UK AND IRELAND (OR IN THAT FOR DENMARK WHERE THE GREEN RATE AND THE CENTRAL RATE COINCIDE).

THE RECENT DEVALUATIONS OF THE GREEN RATES FOR THOSE COUNTRIES IN OCTOBER (REF B) AS WELL AS EARLIER DEVALUATIONS IN AUGUST AND MARCH HAVE SUBSTANTIALLY REDUCED THE MCA'S AFFECTING UK AND IRISH AGRICULTURAL TRADE. HOWEVER, THE COMMISSION HAS PROPOSED AN INCREASE IN THE AMOUNT (FROM 1.25 TO 1.5 PERCENT) DEDUCTED FROM THE DIFFERENCE BETWEEN THE GREEN RATE AND THE MARKET RATE IN CALCULATING THE MCA. THIS CHANGE WILL SLIGHTLY REDUCE THE INCIDENCE OF THE MCA'S.

FOR EXAMPLE, ASSUMING THE DIFFERENCE BETWEEN THE MARKET RATE OF THE BRITISH POUND AND THE GREEN RATE TO BE 8 PERCENT, THE CALCULATION OF THE MCA'S WOULD NOW BE BASED ON 6.5 PERCENT RATHER THAN 6.75 PERCENT. THE NEW GREEN RATES PROPOSED BY THE COMMISSION ARE SHOWN BELOW (EXISTING RATES IN PARENTHESES.)

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U.A.	PERCENT REVALUATION
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1 BELGIAN FRANC;	0.0205519 (0.0201450) PLUS 2.020
1 DANISH KRONER ;	0.131956 (0.131956) NO CHANGE
1 GERMAN MARK ;	0.290392 (0.279429) PLUS 3.923
1 FRENCH FRANC;	0.188844 (0.177520) PLUS 1.422
1 IRISH POUND;	1.72914 (1.72914) NO CHANGE
1 ITALIAN LIRA;	0.117906 (0.116686) PLUS 1.046
1 DUTCH FLORIN;	0.298.056 (0.292505) PLUS 1.898
1 U.K. POUND;	1.75560 (1.75560) NO CHANGE

6. PRICES PROPOSED BY THE COMMISSION FOR 1976/77 AS COMPARED WITH 1975/76 PRICES ARE SHOWN BELOW:

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ACTION EUR-12

INFO OCT-01 ISO-00 AGR-10 AID-05 CEA-01 CIAE-00 COME-00

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R 171744Z DEC 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 181

INFO ALL EC CAPITALS 1455

UNCLAS SECTION 2 OF 2 EC BRUSSELS 11315/2

1975/76 1976/77 PERCENT  
INCREASE

(U.A./M.T. UNLESS  
OTHERWISE INDICATED)

DURUM WHEAT	-	-	-
TARGET PRICE	207.33	218.80	5.5
INTERVENTION PRICE	190.53	202.00	6.0
MINIMUM GUARANTEED			
PRICE	215.45	-	-
SOFT WHEAT			
TARGET PRICE	139.44	152.51	9.5
BASIC INTERVENTION			
PRICE'	125.93	-	-
REFERENCE PRICE'	-	134.60	-
SINGLE INTERVENTION			
PRICE'	-	118.66	-
BARLEY			
TARGET PRICE	126.99	138.46	9.0
INTERVENTION PRICE	110.96	117.04	5.5
RYE			
TARGET PRICE	138.74	149.15	7.5
INTERVENTION PRICE	119.76	128.74	7.5
CORN			

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TARGET PRICE 126.41 138.46 9.5  
 INTERVENTION PRICE 103.43 113.29 9.5  
 RICE  
 TARGET PRICE (HUSKED  
 RICE) 261.03 279.82 7.2  
 INTERVENTION PRICE  
 (PADDY RICE) 154.87 167.26 8.0  
 SUGAR  
 MINIMUM BEET PRICE 22.75 24.57 8.0  
 TARGET PRICE (WHITE  
 SUGAR) 320.50 348.70 8.0  
 INTERVENTION PRICE  
 (WHITE SUGAR) 304.50 331.40 8.0  
 OLIVE OIL  
 PRODUCER TARGET PRICE 1,850.00 1,905.50 3.0  
 MARKET TARGET PRICE 1,499.60 1,551.40 3.0  
 INTERVENTION PRICE 1,427.10 1,475.60 3.0  
 SOYBEANS  
 TARGET PRICE 261.10 282.00 8.0  
 RAPESEED ANC COLZA  
 TARGET PRICE 255.30 275.70 8.0  
 INTERVENTION PRICE 247.90 267.70 8.0  
 SUNFLOWER SEED  
 TARGET PRICE 265.10 286.30 8.0  
 INTERVENTION PRICE 257.40 278.00 8.0  
 COTTONSEED  
 SUBSIDY (PER HA.) 86. 103.20 -  
 FLAX AND HEMP  
 TARGET PRICE --  
 LINSEED ' - 290.00 -  
 SUBSIDY-- FLAX (PER  
 HA.) 188.15 188.15 -  
 SUBSIDY -- HEMP ( PAR  
 HA.) 161.90 174.04 -  
 SEEDS (SUBSIDY (PER  
 100 KG.)  
 MONOEICIOUS HEMP 7.00 8.00 -  
 FLAX 12.00 13.00 -.

GRAMINACEAOUS -- TO 32 10 TO 31 -  
 LEGUMINOUS 5 TO 25 4 TO 25 -  
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DEHYDRATED FORAGE  
 SUBSIDY 8.00 9.00 -

## TABLE WINE

GUIDE PRICE (PER DEGREE/HL. OR  
PER HL DEPENDING ON TYPE)

TYPE R I	1.84	1.96	6.5
TYPE R II	1.84	1.96	6.5
TYPE RII	28.71	30.58	6.5
TYPE A I	1.73	1.84	6.5
TYPE A II	38.26	40.75	6.5
TYPE A III	43.69	46.63	6.5

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## TARGET AND INTERVENTION PRICES

BUYERS' PREMIUMS            AVERAGE 5.0  
   AVERAGE 8

## FRUIT AND VEGETABLES

## BASIC AND BUYING-IN PRICES

-- APPLES AND PEARS            4  
-- OTHER                            8

1975/76 3/1/76 9/16/75 0/0 0/0

## MILK PRODUCTS

TARGET PRICE -- MILK 155.90 159.00 166.00 2.0 4.5

## NFD

--INTERVENTION PRICE 887.00 905.70 - 2.1 -

--GUIDE PRICE' - - 938.70 - -

## INTERVENTION PRICE-BUTTER:

EC COMMON PRICE 2,095.80 2,123.40 2,210.70 1.3 4.1

U.K. 1,436.80 1,677.40 1,739.60 16.7 3.7

IRELAND 1,983.20 2,047.00 2,130.90 3.2 4.1

## INTERVENTION PRICE--

## CHESSE:

GRANA-PADANO 30-60 DAYS 2,014.50 2,048.90 2,123.50 1.7 3.6

GRANA-PADANO 6 MONTHS 2,367.40 2,403.80 2,482.60 1.5 3.3

## PARMIGIANO-REGGIANO

6 MONTHS 2,559.40 2,595.80 2,674.60 1.4 3.0

1975/76 1976/77 0/0 INCREASE

## CATTLE

GUIDE PRICE 1,099.40 1,187.40 8.0

U.K. AND IRELAND 975.50 1,098.10 12.6

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## CALVES

GUIDE PRICE 1,287.40 1,390.40 8.0

U.K AND IRELAND 1,142.10 1,285.70 2.6

' ASTERISKS SHOW PROPOSED POLICY INNIVATIONS THESE WILL BE  
DISCUSSED IN SEPTELS DISCUSSING THE PROPOSED POLICY CHANGES.

7. THE PRICE PACKAGE AND RELATED PROPOSALS ARE CONTAINED IN

A 119 PAGE DOCUMENT SUBMITTED TO THE COUNCIL FO MINISTERS.  
COPIES OF THIS DOCUMENT HAVE BEEN SENT TO JOHN MCCARTHY EUR/  
RPE,DEPARTMENT OF STATE AND RICHARD SCHROETER FAS, DEPARTMENT OF  
AGRICULTURE.  
MORRIS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
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**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
**Draft Date:** 17 DEC 1975  
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**From:** EC BRUSSELS  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1975/newtext/t19751232/aaaabcja.tel  
**Line Count:** 336  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
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**Original Handling Restrictions:** n/a  
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